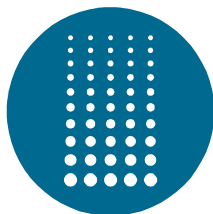




Supplier Diversity Annual Report 2013

Crews from diverse vendor PacRim Engineering of Anaheim work on a concrete vault upgrade project for Suburban Water Systems on Badillo Street in the city of Covina, CA



**Suburban
Water Systems**

COMMITMENT, POLICY, AND VISION

Commitment

Suburban Water Systems (Suburban) is committed to developing mutually beneficial business relationships with minority, women and disabled veteran-owned business enterprises (MWDVBE) that have the capability to meet or exceed our requirements for products and services. Identifying these businesses, providing them opportunities to do business with us, and helping them succeed are essential elements in our own success and are directly in line with our mission and core values. Supplier diversity for Suburban is not a “program”, but a way of doing business.

Policy

It is the policy of Suburban Water Systems through its supplier diversity initiative to increase business opportunities for certified minority business enterprises. We recognize the value of creating opportunities for all suppliers to participate in sourcing of products and services as they arise within our company.

All employees are encouraged to assist in providing avenues of support and opportunities for diverse suppliers who may also be valued customers. Our policy directs sourcing activities throughout our organization in a collaborative environment so that those who are tasked with varied procurement responsibilities play a key role in making our corporate objective a reality.

Vision

- Develop a strong base of high-quality diverse suppliers.
- Include all qualified suppliers in bid opportunities.
- Measure, track, benchmark and report Suburban’s company-wide diverse supplier spend.
- Strengthen economic growth within our supply chain by using diverse suppliers.

Suburban believes in and values supplier diversity. We remain committed to making supplier diversity a way of doing business in all that we do.

TABLE OF CONTENTS

President's Message

2013 HIGHLIGHTS

- 9.1.1 Internal and External Activities
- 9.1.2 Summary of Purchases or Contracts
- 9.1.3 Itemization of WMDVBE Program Expenses
- 9.1.4 Progress in Meeting or Exceeding Set Goals
- 9.1.5 Summary of Prime Contractor Utilization of WMDVBE Subcontractors
- 9.1.6 WMDVBE Complaints Received
- 9.1.8 Recruitment Efforts in Underutilized Areas

2013 ANNUAL PLAN

- 10.1.1 WMDVBE Short-, Mid- and Long-Term Goals
- 10.1.2 Planned Internal and External Activities
- 10.1.3 Plans to Seek and Recruit WMDVBE Suppliers in Underutilized Areas
- 10.1.4 Plans for Seeking or Recruiting WMDVBE Suppliers for Excluded Categories
- 10.1.5 Planned Subcontracting Opportunities
- 10.1.6 Program Compliance

A MESSAGE FROM OUR PRESIDENT

Suburban Water Systems has long demonstrated a strong commitment to the communities it serves. Part of that commitment is fostering an environment of inclusion of diverse suppliers in our procurement practices. The goal is to promote wider vendor participation to help support the economic base of the communities we serve.

Suburban considers vendors and service providers on the basis of what is in the best interest of the company, as well as its customers, without favoritism or discrimination. We encourage participation by business enterprises that are woman-, minority-, or disabled veteran-owned.

At Suburban Water Systems our commitment to supplier diversity goes beyond merely providing opportunities for diverse businesses to compete for bids and contracts on a level playing field. We aim to build sustainable and productive relationships with qualified businesses in the communities we serve. These relationships help strengthen and develop local businesses and jobs.

In addition, our experience has shown that working with diverse suppliers often leads to innovative and value-added products and services, which are critical in serving our customers. Suburban has experienced this firsthand in the areas of engineering and conservation.

This annual report outlines our efforts and successes in attracting, retaining, and working with diverse vendors over the past year. We are proud of the progress we have made, and look forward to even more growth in the future.



Keith Fischer
President

YEAR	DIVERSE SPEND (millions)	% SPEND	NUMBER OF DIVERSE FIRMS
2013	\$3.0	32.18%	28
2012	\$7.2	32.87%	33
2011	\$2.2	20.54%	34
2010	\$2.8	20.03%	21
2009	\$2.0	11.86%	16

2013 PROGRAM HIGHLIGHTS

2013 was a year focused on the continuation of reviewing procurement process and procedure, and embedding supplier diversity efforts into that process as well as in the area of capacity building and technical assistance. Additionally, attention was given to finding diverse firms in commodity areas which historically have had a limited presence in Suburban's supply chain.

2013 Highlights include:

- **More focused involvement of procurement in the sourcing of diverse suppliers for bid opportunities**
 - In 2014 we will be redeploying resources into more fertile areas.
 - Continued collaboration at the front end of buying decisions, ensuring diverse businesses are included in bid opportunities.
 - Procurement created and implemented a contract management process and procedure. Procurement's involvement has helped ensure that diversity language is included in contracts and tier 2 sourcing options are vetted.
 - Updated master services contracts with supplier diversity language as well as right-sized insurance requirements making sure that these requirements were not excessive for the work being done.
- **Supplier Outreach to expand Suburban's supply chain**
 - Suburban's outreach activities in 2013 included individual meetings with diverse suppliers, attendance at various CBO sponsored events.
- **Capacity building and technical assistance**

Suburban's USDPM who is also Co-Chair of the CWA's Utility Supplier Diversity Program, played an instrumental role in helping to form the Mentor Protégé Pilot Program (MPPP) within the CWA's USDP committee. MPPP provides developmental assistance to WMDVBE's in order to help enhance their capabilities as prime suppliers and 2nd tier suppliers. Under the MPPP, professional guidance and support is provided to the protégé' in order to enhance their growth and development. The MPPP will benefit 4 diverse firms (2 African American, 1 WBE and 1 DVBE) These firms will attend business-related courses along with obtaining access to key decision makers within the water utility.
- **Training to prime suppliers to increase tier 2 opportunities**
 - Two Prime Contractor events were held in 2013 and attended by over 50 diverse and non-diverse firms who were there to learn about subcontracting and its importance to the water utilities. Business owners met to discuss opportunities to work together. Suburban's USDPM spoke about the significance of this effort in the overall supply chain and supplier diversity effort.
- **Spend Reporting - Identification of diverse firms within SAP's ERP (enterprise resource planning) tool**
 - Diverse firms are now flagged within the company's system making it easier to identify diverse firms within Suburban's supply chain enhancing procurement strategies.

Progress In Suburban's Use Of Diverse Firms

- Increased utilization of diverse firms in the area of water conservation (consulting), meter installation and signage.
- In 2013, Suburban utilized diverse suppliers in its annual meter change out program. Diverse firms were used both in the purchase of meters and in the installation of those meters.

Progress In Involvement With Suburban Infrastructure

The mix of construction projects varies greatly from year to year, some years comprising primarily distribution mains, other year's reservoir projects. This changing mix of projects can have a significant impact on diverse supplier participation. Nevertheless, we have been very successful in our efforts to involve and grow diverse contractors.

- Increased utilization of new engineering consulting services vendor who came on board in 2012, increasing utilization of vendors in 2013.
- 31 specialty contractors, 6 of whom are diverse.
- 53 bid opportunities in Engineering, 29 of which were awarded to diverse firms.

Progress In Involving Operations

- Provided mentoring to several existing suppliers who were referred to Suburban's USDPM for coaching and evaluation of certification eligibility.
- Continued partnership and collaboration between district offices and USDPM in the areas of procurement practices, internal process and district requirements and enhanced supplier communications.
- A new diverse firm was introduced in the area of building signage.
- Re-working of Master Services Agreements to include supplier diversity language.
- Meter Exchange Program – diverse firms were included in bid opportunity for both meter purchase and installation. Diverse firms were awarded business.

INTERNAL AND EXTERNAL ACTIVITIES

SECTION 9.1.1

EXTERNAL ACTIVITIES:

In September 2013, Suburban participated in the California Water Association's USDP "Prime Contractors Meeting". This event was the first of its kind to focus on subcontracting (Tier 2) efforts within the water utility industry. The event was held in Ontario, CA, and was host to over 50 businesses. The event focused on prime contractors and their utilization of diverse firms.

In addition to key executives from the water utilities who spoke, West Valley Construction gave a presentation about their work with water utilities. They outlined their own implementation of a tier 2 subcontracting program and the success it has brought their company in both enhancing their operations and meeting the diversity goals of those who they do business with. The event concluded with a networking session in which these non-diverse and diverse firms were able to get acquainted with and learn about possible opportunities and to further discuss this effort with the water utilities.

Also in 2013, focus was given to the Capacity Building and Technical Assistance effort as part of GO156. 2013 was a pivotal year in which Suburban's USDPM was highly involved in the development of the Mentor Protégé Pilot Program (MPPP) with the CWA/USDP committee. Working with the USDP team and IBS (under the direction of Lily Otieno, owner of IBS – a diverse consulting firm), the MPPP took shape.

Four suppliers chosen by the water utilities will begin attending business courses and will be actively involved in meeting key stakeholders for guidance and mentoring on how to do business with water utilities. They will also receive training on key business skills that will increase their competitiveness and provide a platform for increased opportunities.

INTERNAL ACTIVITIES:

Efforts continued in 2013 and opportunities were taken to ensure that supplier diversity was woven into the procurement process. Through various meetings and conversations throughout the year, Suburban's USDPM continued to share information and educate staff about Suburban's supplier diversity program.

These opportunities included:

- Mid-manager's meetings
- Executive staff meetings
- District and departmental meetings
- Information shared in company newsletter

Information included in these forums included:

- Awards of contracts to new or existing diverse firms
- Introduction of new diverse firms to districts
- Review of bidding opportunities
- Discussion of outcomes of bidding opportunities.

Efforts in including diverse businesses in bid opportunities included:

- Regulatory (accounting firms)
- Customer Service/IT (credit card program)
- Operations (meter exchange program)

DIVERSE SUPPLIER SPOTLIGHT:

PacRim Engineering, Inc., Anaheim, CA – Suburban partner since 2010

PacRim Engineering, Inc. is a certified Suppliers Clearinghouse Small Business Enterprise (SBE), Minority-Owned Business Enterprise (MBE), and Disadvantaged Business Enterprise (DBE) firm, incorporated in California as an S Corporation in 2007.

"PAC RIM has provided great customer service to Suburban by being extremely responsive and meeting required deadlines in order to support capital expenditures for PUC approval. The quality of their design work has been outstanding, as evidenced by minimal amount of changes needed during construction." – *Jorge Lopez, P.E., Director of Engineering,*

Suburban Water Systems



Peter Liu
PacRim Eng.

"I commend Suburban Water Systems' commitment to utilizing CPUC certified consultants like us. It has made a big difference in the growth and diversification strategies of our business. Their willingness to strengthen their Supplier Diversity program allowed the opportunity for PacRim to offer our services and showcase our expertise and the ability to add value to their capital improvement projects. I am very pleased that in the past few years, PacRim has executed a number of projects for Suburban Water Systems that met or exceeded their expectations. I look forward to continuing our services for their future needs." – *Peter Liu, P.E., Principal, PacRim Engineering*

PacRim projects completed for Suburban:

- Plant 129 Reservoir Study, including geotechnical investigation and structural analysis.
- Plant 501 Vault Rehabilitation, including piping evaluation, structural design and traffic control plans.
- Sorensen Channel Pipeline installation at Reis Street including pipeline alignment and pipeline hanger design.
- Similar pipeline installation at Coyote Creek at Artesia Street, and Coyote Creek at Firestone Blvd.
- I-10 Widening Project at Azusa Avenue, S. Garvey Avenue, and West Covina Parkway intersections
 - Traffic detour plans.
 - Traffic control plans.
 - Construction inspections.
 - Administrations in compliance with federal funding procedures.

SUMMARY OF PURCHASES OR CONTRACTS BY ETHNICITY

SECTION 9.1.2

WMDVBE ANNUAL RESULTS BY ETHNICITY					
	ETHNICITY	DIRECT \$	SUB \$	TOTAL \$	PERCENT %
MINORITY	Asian-Pacific	\$231,651		\$231,651	2.42%
MALE	African-American	\$34,840		\$34,840	0.36%
	Hispanic	\$1,895,757		\$1,895,757	19.82%
	Native American				
	Total	\$2,162,248		\$2,162,248	22.61%
MINORITY	Asian-Pacific	\$1,592		\$1,592	0.02%
FEMALE	African-American				
	Hispanic	\$14,244		\$14,244	0.15%
	Native American				
	Total	\$15,836		\$15,836	0.17%
TOTAL MBE		\$2,178,084		\$2,178,084	22.77%
WBE		\$899,236		\$899,236	9.40%
Subtotal MWBE		\$3,077,320		\$3,077,320	32.18%
DVBE		\$0		\$0	0.00%
TOTAL WMDVBE		\$3,077,320		\$3,077,320	32.18%
Gross Procurement		\$30,347,187		\$30,347,187	
Exclusions		\$20,783,095		\$20,783,095	
NET PROCUREMENT		\$9,564,092		\$9,564,092	

SUMMARY OF PURCHASES OR CONTRACTS BY PRODUCTS AND SERVICES (DIRECT)

SECTION 9.1.2

ANNUAL RESULTS BY PRODUCTS AND SERVICES - DIRECT							
	ETHNICITY	Products \$	%	Services \$	%	TOTAL \$	%
MINORITY MALE	Asian-Pacific	\$44,477	0.47%	\$187,174	1.96%	\$213,651	2.42%
	African-American	\$33,584	0.35%	\$1,256	0.01%	\$34,840	0.36%
	Hispanic	\$46,307	0.48%	\$1,849,450	19.34%	\$1,895,757	19.82%
	Native American						
	Total	\$124,368	1.30%	\$2,037,880	21.31%	\$2,162,248	22.61%
MINORITY FEMALE	Asian-Pacific	\$1,592	0.02%			\$1,592	0.02%
	African American						
	Hispanic			\$14,244	0.15%	\$14,244	0.15%
	Native American						
	Total	\$1,592		\$14,244		\$15,836	0.17%
TOTAL MBE						\$2,178,084	22.77%
WBE		\$25,437		\$873,799		\$899,236	9.40%
Subtotal MWBE						\$3,077,320	32.18%
DVBE							
TOTAL WMDVBE						\$3,077,320	32.18%

Net Procurement	\$9,564,092
Products Procurement	\$149,805
Service Procurement	\$2,925,923
NET WMDVBE PROCUREMENT	\$3,075,728

WMDVBE PROCUREMENT BY STANDARD INDUSTRIAL CATEGORIES - DETAIL

	MINORITY						NON-MINORITY	TOTAL
	MBE			WMBE			WBE	
	AFRICAN-AMERICAN	ASIAN-PACIFIC	HISPANIC	ASIAN-PACIFIC	HISPANIC	WHITE	UNDETERMINED	
1623			\$819,652			\$751,576		\$1,571,227
1711							\$90,710	\$90,710
1771			\$364,961					\$364,961
1794			\$3,930					\$13,662
1799			\$32,083					\$32,083
2752							\$8,696	\$8,696
3084	\$33,584							\$33,584
3713		\$44,477						\$44,477
3993				\$1,592				\$1,592
5063							\$945	\$945
5084							\$20,537	\$20,537
5112			\$156				\$24,492	\$24,647
7311					\$11,484			\$11,484
7342					\$2,760			\$2,760
7389							\$770	\$770
782			\$180,552					\$180,552
8711		\$187,174	\$648					\$187,821
8734			\$46,152					\$46,152
8741	\$1256							\$1256
8742			\$437,925					\$437,925
8744							\$1,510	\$1,510
8748			\$9,700					\$9,700
TOTAL	\$34,840	\$231,651	\$1,895,757	\$1,592	\$14,244	\$751,576	\$147,660	\$3,077,320

ITEMIZATION OF WMDVBE PROGRAM EXPENSES

SECTION 9.1.3

EXPENSE CATEGORY	
Wages	\$89,000
Other Employment Expense	\$0
Reporting Expense	\$0
Training	\$600
Consulting	\$0
Program Expense	\$60,000
TOTAL PROGRAM EXPENSES	\$149,600

PROGRESS IN MEETING OR EXCEEDING SET GOALS

SECTION 9.1.4

CATEGORY	CURRENT YEAR RESULTS	CURRENT YEAR GOALS
Minority Business Enterprise (MBE)	22.78%	15.00%
Women Business Enterprise (WBE)	9.40%	5.00%
Sub Total Women, Minority Business Enterprise (WMBE)	<u>32.18%</u>	<u>20.00%</u>
Service Disabled Veteran Business Enterprise (SDVBE)	0.00%	1.50%
TOTAL WMDVBE	<u>32.18%</u>	<u>21.50%</u>

SUMMARY OF PRIME CONTRACTOR UTILIZATION OF WMDVBE SUBCONTRACTORS

SECTION 9.1.5

Information not available.

WMDVBE COMPLAINTS RECEIVED

SECTION 9.1.6

No WMDVBE complaints were received.

RECRUITMENT EFFORTS IN UNDERUTILIZED AREAS

SECTION 9.1.8

Recruitment efforts for WMDVBE firms will remain part of Suburban's ongoing business strategy. Efforts to attract innovative suppliers who can provide exceptional value, quality, service and pricing will remain a part of our day-to-day procurement sourcing effort. Steps continue to be taken to more successfully recruit and retain new diverse firms. Suburban has been carefully monitoring its success and challenges in locating and doing business with diverse firms. New avenues will be sought after to make more significant headway in this area. Attendance at CPUC, CBO, CUDC, CWA and industry-specific events will be carefully evaluated to determine the extent to which they are truly value-added. Regardless, Suburban will work to conduct additional outreach in order to target specified underutilized WMDVBE firms in commodity areas in which today, we have a smaller pool of diverse firms in the supply chain.

2014 ANNUAL PLAN

WMDVBE SHORT-, MID- AND LONG-TERM GOALS SECTION 10.1.1

2013 marks the fourth year that Suburban has been the only water utility to disclose in its supplier diversity annual report its true measure of added diverse spend. The trend for Suburban is unmistakable: attending diverse events, meetings with diverse organizations and matchmakings have all provided little-value added. In 2014 we will be redeploying resources into more fertile areas.

In 2014, Suburban will continue to take a strategic approach to increasing opportunities for WMDVBE firms. We will use lessons learned in 2013 to enable us to continue building a strong foundation on which Suburban's program can stand and thrive. Suburban will continue to further embed diversity into its procurement practices, focusing on policy and procedure, Suburban's ERP system and RFP opportunities. Improving processes, taking advantage of technology and deepening our working relationships are all part of creating success in 2014.

2014 STRATEGIC PROGRAM GOALS

In 2014, Suburban Water will be focused on the following key areas:

- Critical re-evaluation of current deployment of money and time in areas where the diversity pay-off has historically been low. Suburban will be evaluating new organizations to partner with to locate new and innovative diverse firms. We will be redeploying resources into more fertile areas.
- Spend reporting.
- Procurement efforts.
- 2nd Tier Reporting.
- Recruitment efforts of underutilized diverse firms (i.e.: DVBE, African American, Asian owned businesses).

Spend Reporting

Suburban Water will continue to work diligently on its spend reporting capabilities in 2014. This effort will consist of the following:

- Develop diverse spend reports that will provide monthly/quarterly spend information allowing for real-time analytics and planning and timely annual reporting. With information gathered, conduct team meetings and further develop strategy.

Procurement Efforts

- Further improve metrics that document and measure RFP bid outcomes – using information to enhance process and procedure and vendor follow-up.
- Continuation of mentoring of diverse firms – participation in the USDP Mentor Protégé Pilot Program will be ongoing for 2014.
- Sourcing of diverse firms in areas of low utilization (African American, DVBE, etc.).

2nd Tier Spend Reporting

Suburban Water will have a high focus in this area. Tasks associated with this effort will be:

- Work with prime suppliers communicating reporting requirement.
- Track and monitor reporting.
- Partner with districts and their suppliers so requirements are communicated consistently.

PLANNED INTERNAL/EXTERNAL ACTIVITIES

SECTION 10.1.2

Along with external activities, attention to internal processes and procedures will continue to remain an area of focus. Ensuring that supplier diversity is a part of the procurement process will be essential. Suburban will continue to focus its attention and efforts in improving spend visibility, the bid process and its participation in the CWA/USDP Mentor Protégé Pilot Program.

Planned Internal Activities

- Continued review and analysis of procurement processes to ensure supplier diversity is a part of the process day-to-day.
- Update procurement policies and procedures.
- Continued evaluation of existing supply base to determine eligibility as WMDVBE.
- Enhance quarterly reporting and spend identification – gaining more visibility about spend information on a more frequent basis and sharing this information with key stakeholders.
- Enhance contract readiness (capacity-building and technical assistance) in accordance with General Order 156 guidelines – participating in the CWA/USDP Mentor Protégé Pilot Program.

Planned External Activities

- Concentrated focus to work with local industry-specific organizations to locate diverse firms in specific key industries (e.g.; engineering, etc.).
- Increased communications in the supplier community to raise awareness of Suburban's program, enlarging the company's footprint in the diverse supplier community.
- Strategic participation in various outreach events and meetings.
- Enhancement of CBO relationships and engagement with member bases.
- Attendance at various CPUC, CBO and trade association events.

PLANS TO SEEK AND RECRUIT WMDVBE SUPPLIERS IN UNDERUTILIZED AREAS (FINANCIAL, LEGAL, ETC.)

SECTION 10.1.3

Suburban will continue to identify opportunities for effective outsourcing to diverse firms in underutilized areas. Suburban will seek to build new relationships in which opportunities can be shared and utilization of diverse firms can be accomplished through communication and collaboration with key stakeholders in the community.

PLANS FOR SEEKING OR RECRUITING WMDVBE SUPPLIERS FOR EXCLUDED CATEGORIES

SECTION 10.1.4

Suburban is unaware of any WMDVBE firms available in the areas of volume-related water purchases.

PLANNED SUBCONTRACTING OPPORTUNITIES

SECTION 10.1.5

Suburban will continue to further develop its second-tier subcontracting program. This effort will include the following:

- Communication and collaboration with engineering and prime contractors to support this effort.
- Continued enhancement of contract language.

PROGRAM COMPLIANCE

SECTION 10.1.6

Suburban continues to recognize the value of a vibrant supplier diversity program that is built on a strong and sustainable foundation. Support at the executive and mid-manager levels, collaboration, and a proactive approach along with strong procurement practices are key components. Suburban remains committed to this initiative and building upon the framework that has been established. Supplier diversity involves many internal and external key stakeholders. We look forward to strengthening existing relationships with diverse businesses and developing new ones. We continually evaluate our program and seek new, innovative and “out of the box” initiatives in order to accomplish our goals and objectives.

In 2014, Suburban is committed to enhancing what is currently in place as well as finding additional diverse firms who can add value to the company, provide quality products and services, price their work competitively, anticipate our needs, and work with us to provide the best products and services to our customers at the best possible cost.

For more information about supplier diversity at Suburban, contact:

Stephanie M. Swenseid

Utility Supplier Diversity Program Manager/Supply Chain Manager

Phone: (626) 543-2521

E-mail: sswenseid@swwc.com

Analysis of 2013 Diverse Supplier Spend

	Total Diverse Spend	Percent of Total Procurement Less Exclusions
Getting existing suppliers certified	\$0	0.00%
Certified suppliers used for the first time in 2013, but NOT resulting from our attendance at diverse events, meetings of diverse organizations, matchmakings, etc.		0.00%
Capital-related	0	0.00%
Expense-related	\$0	0.00%
Certified suppliers used for the first time in 2013, which resulted from our attendance at diverse events, meetings of diverse organizations, matchmakings, etc.	\$137,865	1.44%
OUR TRUE MEASURE OF ADDED DIVERSE SPEND IN 2013	\$137,865	1.44%
Continued use of certified suppliers		
Capital-related	\$2,361,112	24.69%
Expense-related	\$578,343	6.05%
TOTAL DIVERSE SPEND	\$3,077,320	32.18%